

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: March 28, 2007

Bill Number: H.B. 3672

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Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-6-1165 so as to exempt from state income tax the taxable income of a resident individual who has attained the age of sixty-five and to allow a married individual who is eligible for the exemption and filing a joint federal tax return with a spouse who has not attained the age of sixty-five to apply the exemption to all taxable income reported on the joint return; and to amend Section 12-6-1170, as amended, relating to retirement income deductions from taxable income of individuals, so as to delete language allowing an income tax deduction for individuals sixty-five and older.

REVENUE IMPACT ^{1/}

This bill would reduce General Fund individual income tax revenue by an estimated \$280,900,000 in FY2007-08.

Explanation

This bill would add Section 12-6-1165 to exempt a resident individual that has attained the age of 65 years of age from remitting state income tax beginning in the tax year the individual attains the age of 65 years. Based upon income tax return data from the Department of Revenue, \$254,000,000 was owed in tax year 2005 by filers using the long form with at least one taxpayer 65 years of age or older. This figure should be reduced by an estimated \$20,000,000 for joint filers with only one taxpayer 65 years of age or over, resulting in an estimated \$234,000,000 in income tax obligations by filers 65 years of age and over using the long form. Based upon the ratio of short form to long form tax returns, it is estimated that an additional \$13,500,000 is owed by filers 65 years of age and over using the short form return. In total, SC income tax obligation by filers 65 years of age and over was an estimated \$247,500,000 for tax year 2005. We estimate that filers 65 years of age and over will pay \$280,900,000 in FY2007-08.

/s/ WILLIAM C. GILLESPIE, PH.D.

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Chief Economist

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.